NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Pages 5-9.

GIL MELLIN indicated interest in Academic Membership was increasing. A new chapter will soon be established at the University of New Orleans. If possible, this chapter may amalgamate the seven universities in the New Orleans area. Some schools have expressed an interest in establishing a student chapter. Critical in the formation of a chapter is finding a faculty member willing to head the chapter, thus providing continuity.

KATHY EICKHOFF reported on the Public Affairs Committee, which oversees the quarterly telephone consensus survey. Media response has been extremely good on the reporting of the two surveys—in May and August. Lacking in the survey process, however, has been any in-depth analysis of the data. Gil Heebner of Philadelphia National Bank has agreed to analyze the data and from this analysis a press release will be developed. The in-depth analysis will be inserted in *NABE News*.

The Legislative Review Group will be disbanded for two reasons:

1. Public policy issues are now covered by the quarterly survey.
2. The focus of this group is on the inflationary impact of legislation. Since inflation is no longer a dominant issue, rating legislation by other criteria would put NABE in an advocacy position.

LOUISE WILSON commented on the Publicity Committee and its tremendous success in attracting media attention to NABE's quarterly surveys. Alan Wade, our media coordinator, has been instrumental in getting the widespread coverage of the survey. Chapter Presidents are also thanked for providing names of business editors in their local areas.

DON STRASZHEIM discussed the activities of the Chapter Coordination Committee. Two new chapters, Richmond and Kansas City were formed last year, bringing the chapter total to 44. El Paso and Buffalo are sites of possible new chapters.

BLAKE FRISCIA reported on the International Committee. The committee organized four major sessions at the IFABE conference last June. Due to the recession, U.S. representation at the Paris meeting was only 28 out of a total registration of 264. A primary goal of the committee is the encouragement of new associations of business economists, notably among Latin American and Japanese economists. The next IFABE meeting will be in 1985 in Cambridge, England.

DON WELSCH reported that Institutional Membership held steady at 130 companies. Companies with two to three NABE members are being identified as possible new institutional members.

GIL HEEBNER chaired the Investment Committee and discussed their important results. A statement of investment policy was written and NABE's portfolio was restructured, which included a lengthening of maturities. The NABE portfolio of $321,000 is split $271,000 in fixed income yielding between 12 and 15 percent, and $50,000 in equities where yields range from 8 to 22 percent.

ED FIEDLER discussed the Long Range Plan, which last year reaffirmed the goals of the 1981-85 plan. Primary goals of the organization are the expansion of basic member services and an extension of public economic education.

Major objectives in the long range plan are:

1. Engage a full-time manager in the NABE central office.
2. Integrate local chapters through more coordination.
3. Improve *Business Economics*.
4. Promote public economic education in the areas of TV, radio, and journalism, and through a careers book aimed at educational facilities.
5. Reassess the Legislative Review Group, the annual survey, and the quarterly survey.
6. Increase contacts between NABE and IFABE.

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THE ANNUAL NABE SURVEY

Prepared by Edgar R. Fiedler
Vice President, NABE

FORECASTS THROUGH 1983

Members of the National Association of Business Economists are nearly unanimous in projecting the business cycle to be in a recovery phase from now through the end of 1983 (Tables I and II). A large majority, furthermore, expect the cyclical upswing to continue into 1985 or beyond (Table III).

The economic revival will be led by a steady climb in consumer spending, and accompanied by a rise in housing starts. Capital spending will also take a turn for the better but with a lag; the rebound in this sector will not begin until early 1983.

It is important to note, however, that the rate of recovery is forecast to be very modest. Real GNP is projected to rise only 2.9 percent from this year to next. Since this expansion pace would be only about half the postwar norm for the first year after recession, NABE forecasters are anticipating a weak, even anemic recovery. Accordingly, the unemployment rate is projected to average 8.8 percent next year, down only half a point from this year's forecast 9.3 percent. It seems clear—despite the onset of recovery—there is still plenty of economic pain and anxiety left in the recession.

The inflation forecasts can be looked at with either optimism or pessimism. Consumer prices are projected to ascend steadily through 1983 at a 6 percent rate. The good news here is that, despite the economic upswing, the slowdown of inflation from double-digit rates two years ago is seen as a lasting phenomenon. The bad news is that the improvement is over. In other words, inflation is down but not out.

NABE forecasters look for interest rates—both short-term and long-term rates—to decline moderately over the remainder of 1982 and through 1983.

TABLE I

NABE ECONOMIC OUTLOOK CONSENSUS, 1982-83

	Annual			Quarterly							
	1981*	1982	1983	1982				1983			
				Q1*	Q2*	Q3	Q4	Q1	Q2	Q3	Q4
1. Real GNP (% Chg.)	1.9	-0.9	2.9	-5.1	1.3	2.0	3.0	2.5	2.8	3.6	3.8
2. Real Consumer Spdg. (% Chg.)	1.8	1.6	3.0	2.5	2.0	3.0	3.5	2.8	3.0	3.9	3.5
3. Real Business Fixed Investment (% Chg.)	3.5	-3.0	1.5	-5.0	-12.3	-6.2	-3.0	1.0	2.7	4.1	5.0
4. Consumer Prices (% Chg.)	10.4	6.5	6.5	3.3	6.2	6.9	6.0	6.1	6.0	6.1	6.0
5. Unemployment Rate (%)	7.6	9.3	8.8	8.8	9.5	9.7	9.5	9.2	9.0	8.8	8.5
6. Private Housing Starts (000)	1084	1000	1200	920	951	1020	1100	1150	1200	1300	1350
7. Corporate Profits ($ bill.) (Pretax with IVA & CCA)	191	169	194	157	155	170	175	180	189	198	205
	FY82 est.	FY83	FY84								
8. Federal Deficit ($ bill.)	114	130	125	x	x	x	x	x	x	x	x

Note: Quarterly percent changes (first four lines) are expressed as annual rates.
* = Actual

TABLE II

NABE CONSENSUS FINANCIAL OUTLOOK

	—Percent Distribution—				
	Sharply lower	Mod. lower	Little or no chg.	Mod. higher	Sharply higher
1. Bank Prime Rate					
To end-1982	15	66	14	4	0
End-1982 to end-1983	10	52	22	16	1
2. New AA Utility Yields					
To end-1982	8	59	26	6	0
End-1982 to end-1983	6	58	22	13	1
3. Trade-Weighted Value of $					
To end-1982	3	42	38	17	0
End-1982 to end-1983	7	50	26	17	0

Note: Totals (across) may not equal 100 because of rounding.

LONGER TERM OUTLOOK

This year's longer run projections are generally inauspicious. GNP growth is expected to average 2.6 percent per year from 1981 through 1986, the lowest NABE projection on record. Inflation is expected to average 6.6 percent per year, slower than the experience of the past five years but no improvement on the current rate. Only *one* economist, out of a total of 550 respondents, anticipates that inflation will average less than 2 percent from 1981 through 1986. And productivity is expected to grow at a rate of 1.5 percent annually, a pronounced improvement over the dismal performance of the past five years, but hardly encouraging in comparison with the postwar record of either the American economy or other industrialized countries.

The most pressing problems for the U.S. economy over the next three years are expected to be high real interest rates, low growth and high unemployment.

TABLE III

NABE CONSENSUS LONGER TERM OUTLOOK

1. NEXT BUSINESS RECESSION WILL BEGIN:

	Percent Distribution
1983	10%
1984	17
1985	32
Later	41

2. PROJECTED REAL GNP GROWTH

1982 Forecast for 1981-86

Projected Growth	Percent Distribution
Under 1%	2%
1-2%	18
2-3%	51
3-4%	25
4-5%	3
Over 5%	1

Average, 2.6%

Historical Record

Year Forecast	Projected Rate		Actual Rate
1975 (74-79)	3.7%	1974-79	3.5%
1976 (75-80)	4.1	1975-80	3.7
1977 (76-81)	3.7	1976-81	3.0
1978 (77-82)	3.4	1977-82e	1.7
1979 (78-83)	2.7	1978-83e	1.3
1980 (79-84)	3.0		
1981 (80-85)	3.2		
1982 (81-86)	2.6		

3. PROJECTED INFLATION RATE

1982 Forecast for 1981-86

Projected Rate	Percent Distribution
Under 2%	0%
2-4%	3
4-6%	29
6-8%	53
8-10%	11
Over 10%	3

Average, 6.6%

Historical Record

Year Forecast	Projected Rate		Actual Rate
1975 (74-79)	6.4%	1974-79	7.3%
1976 (75-80)	5.8	1975-80	7.3
1977 (76-81)	6.0	1976-81	8.1
1978 (77-82)	6.5	1977-82e	8.2
1979 (78-83)	7.6	1978-83e	8.0
1980 (79-84)	8.2		
1981 (80-85)	7.3		
1982 (81-86)	6.6		

4. PROJECTED PRODUCTIVITY GROWTH

1982 Forecast for 1981-86

Projected Rate	Percent Distribution
Negative	2%
0-1%	22
1-2%	52
2-3%	22
3-4%	2
4-5%	0
Over 5%	0

Average, 1.5%

Historical Record

Year Forecast	Projected Rate		Actual Rate
1979 (78-83)	1.2%	1978-83e	0.3%
1980 (79-84)	na		
1981 (80-85)	1.4%		
1982 (81-86)	1.5%		

5. MOST PRESSING PROBLEMS, NEXT 3 YEARS

United States		Other Industrial Countries
60	a. High real interest rates and financial instability	22
55	b. Low growth and high unemployment	48
21	c. Unsatisfactory productivity	8
18	d. Increased protectionism	33
9	e. High rates of inflation	18
4	f. Increased political instability	30
9	g. Other	2

Note: Totals for questions 1-4 may not equal 100 because of rounding.
Question 5 will total more than 100 because respondents were asked to check up to two answers.

POLICY VIEWS

NABE members are quite emphatic on most of their judgments about economic policy (Table IV). By a margin of two to one, they feel the economic policies implemented in 1981 and 1982, as modified by the first congressional budget resolution of 1982 but otherwise maintained (an important assumption), would lead to a further slowdown of inflation, a significant reduction in interest rates and a step-up in investment and subsequently in productivity growth. There was, however, considerable difference of opinion over when these improvements in economic performance would take place—in 1983, 1984 or later.

This expression of confidence in the basic thrust of recent economic policy is perhaps the most interesting finding of the survey. Further, this positive view about policy contrasts noticeably with the somewhat melancholy character of the forecasts, which suggest the respondents are dubious the present stance of policy will be maintained.

By a very wide margin, almost three to one, business economists view current monetary policy as being about right, but fiscal policy for 1983 is seen as excessively easy.

On specific policy proposals, NABE members expressed:

1. Overwhelming support for
   Maintaining an independent Federal Reserve (87%),
   Limiting indexation of entitlement benefits (84%),
   Reducing government spending as a % of GNP (79%);
2. Overwhelming opposition to
   Imposing an incomes policy or wage and price controls (88%),
   Government support for financially troubled companies (85%);
3. Support by a substantial margin for
   Reducing government regulation (70%),
   Continuing Federal Reserve policy emphasis on the monetary aggregates (64%),
   Adopting separate operating and capital budgets for the federal government (58%);
4. Opposition by a substantial margin to
   Selective credit controls (74%),
   Broad-scale government support for the thrift industry (67%),
   A constitutional amendment to balance the budget (64%).

TABLE IV

NABE CONSENSUS POLICY VIEWS

1. Monetary policy, as it is being implemented now, is

	(% Distn.)
Too restrictive	25%
About right	71
Too easy	4

2. Fiscal policy, FY 1983, is

Too restrictive	8%
About right	23
Too easy	69

3. If you project a higher FY83 deficit than the $104 billion called for in the first congressional budget resolution, is it because of

Higher outlays	19%
Lower receipts	11
Combination	70

4. Will the economic policies implemented in 1981 and 1982, as modified by the first congressional budget resolution but otherwise maintained, lead to a step-up in investment and, subsequently, an increase in productivity growth?

		During 1983?	21%
Yes	63%	During 1984?	27
		1985 or later?	14
No	26		
Not sure	11		

5. Will these policies lead to a further slowdown of inflation?

		During 1983?	40%
Yes	60%	During 1984?	12
		1985 or later?	8
No	32		
Not sure	7		

6. Will these policies lead to a significant reduction in interest rates?

		During 1983?	26%
Yes	56%	During 1984?	21
		1985 or later?	9
No	33		
Not sure	11		

Note: Totals may not equal 100% because of rounding.

7. What is the appropriate "full employment" target for the unemployment rate for policymakers to aim at over the next 3 years?

Under 5%	6%
5-6%	29
6-7%	45
7-8%	17
Over 8%	3

This distribution averages out to a full employment unemployment rate of 6.3%. By comparison, similar questions produced averages of 4.7% in 1975 and 5.6% in 1978.

DIFFERENCES BY INDUSTRY, AGE, ETC.

A substantial number of cross-tabulations were prepared in an effort to reveal differences among the respondents in their forecasts and policy views, depending on their affiliation, age or other characteristics. It is often said, for example—especially at uncertain times like the present—that the outlook consensus among economists employed by financial firms differs significantly from that held by economists in the manufacturing sector. In this survey, however, very little in the way of such differences showed up. By and large the short-term forecasts, the long-term forecasts and the policy views were very similar for all respondents, whether grouped by industry, by age, by geographic area or by forecasting technique.

The few exceptions are interesting. NABE members under 35 were slightly more pessimistic than their older colleagues in their five-year projections for productivity growth. And those respondents who identified themselves as forecasting by monetarist, rational-expectations and supply-side techniques (the three groups were combined for this analysis to avoid random differences from very small samples) showed some slight systematic variation from respondents who labeled themselves eclectic-econometric or eclectic-judgmental forecasters. Relative to the others, the monetarist/rational-expectations/supply-side economists

1. expect slower growth in real GNP through 1983,
2. expect less inflation through 1983,
3. expect less inflation for the five years ending in 1986, and
4. have more faith that the policies of 1981 and 1982, if maintained, would lead to lower inflation and lower interest rates *in 1983.*

But even these differences are marginal. For example, the monetarist/rational-expectations/supply-side group is forecasting real GNP growth at a 3.0 percent rate in the fourth quarter of 1983, versus 3.8 percent for the judgmental and econometric groups. The corresponding inflation forecasts are 5.4 percent versus 6.2 percent. The small size of these differences reinforces the main lesson of this analysis, which is that the forecasts and policy views of various groups of NABE members are strikingly similar. Scratch a handful of business economists and you'll find different forecasts alright, but you won't be able to anticipate the differences by knowing their affiliations, ages, geographic locations or forecasting techniques.

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FUTURE NABE ANNUAL MEETINGS

1983 September 27-30, 1983
Detroit Plaza Hotel
Detroit, Michigan

1984 September 23-25, 1984
The Westin
Peachtree Plaza
Atlanta, Georgia

1985 September 29-October 2, 1985
Fairmont Hotel
Denver, Colorado

1986 September 13-17, 1986
Boston Copley Place Hotel
Boston, Massachusetts

1987 September 27-October 1, 1987
Fairmont Hotel
New Orleans, Louisiana

ECONOMIC EDUCATION FOR THE NEXT GENERATION:

Business Economists Can Play A Part

Business economists fulfill a number of various roles within their organizations, although they achieve their greatest notoriety as forecasters or soothsayers. Fortunately, most forecasters can emphasize some of their other functions when well rationalized estimates of the future run afoul of shifts in ceteris paribus. One of the most important of these subsidiary activities of economists, and often omitted in job descriptions, is education. It is unusual for a presentation to management by a business economist not to be followed by questions which require an implied explanation of some aspects of economic theory. In fact, a substantial portion of written and oral communication of economists in the forecasting area becomes effective only if supported by common sense implications of basic economics.

Although they may not highlight the educator role, or even be especially conscious of this function, successful business economists develop considerable insight into effective ways to explain complicated economic phenomena in laymen concepts and language. This is a valuable resource which should be tapped in the interests of future citizens. Consequently, the Joint Council on Economic Education is making a special request of the National Association of Business Economists to enlist its members in the promotion of economic education for the youth of this country.

The Joint Council on Economic Education, in existence for the past 33 years, is committed to the task of advancing a practical understanding of economics on the part of students from kindergarten to college throughout the United States. A Council operates in each State, with various numbers of Centers in each State, to deliver economic education to the schools. Most of the Councils and Centers are housed on university campuses and directed on a part-time basis by college economic faculty members. Credit courses, seminars, and day-long workshops are utilized by the Center Directors in educating secondary and elementary teachers in both economic theory and methods of presentation to students from ages 5 or 6 on up. Hundreds of school districts around the country are committed to the Joint Council's Developmental Economic Education Program (DEEP) which instills the program into the entire curriculum of the districts. In the past few years the Council has conducted summer workshops for college economics faculty in order to improve the teaching techniques of economic instructors widely known for their less-than-inspiring presentations in principles courses. The Council has also conducted a nationwide study focused on the college economics undergraduate major; the number of business economics students; courses offered and required; and careers of majors after they graduate.

Business economists can enter the economic education endeavor in a number of ways. Each State Council is governed by a Board of Trustees or Directors which bears responsibility generally in cooperation with universities within the State in setting policy, hiring Council Directors, promoting, and funding economic